

Message Text

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SUBJECT: SALE OF EUCLID HAULERS TO MAURITANIA HITS FINANCING SNAG

SUMMARY: JOHN LE GUENNEC, FROM PARIS OFFICE OF HAMELLE AFRIQUE, JUST COMPLETED VISIT TO MAURITANIA IN EFFORT TO UNTANGLE FINANCING PROBLEM FOR SALE TO MAURITANIA'S INDUSTRIAL HOLDING COMPANY (SNIM) OF \$1-1/2 MILLION WORTH OF EUCLID OFF-HIGHWAY HAULERS BUILT AT CANADIAN PLANT. EUCLID, WHICH IS ONE OF MANUFACTURING DIVISIONS AND REGISTERED TRADE MARKS OF WHITE MOTOR CORPORATION OF CLEVELAND, HAS BEEN UNABLE TO LOCATE FINANCING IN EITHER US OR CANADA. RECOMMEND DEPARTMENT INVESTIGATE POSSIBILI OF PERSUADING EUCLID TO SHIFT ORDER FROM CANDIAN SUBSIDIARY TO US PARENT COMPANY, PERHAPS FINANCING SALE OF US-BUILT HAULERS BY EXPORT-(?.0945 ?-,(. UNRESOLVED FINANCING PROBLEM HAS ALREADY AROUSED IRE OF SNIM CHIEF. FAILURE TO DEVISE SATISFACTORY SOTUTION REASONABLY QUICKLY COULD JEOPARDIZE CONTINUING SALES OF ZOAD RANGE OF HEAVY DUTY EQUIPMENT TO IRON AND COPPER MINES NOW OPERATED BY SNIM. END SUMMARY.

1. LE GUENNEC PREVIOUSLY VISITED MAURITANIA IN NOVEMBER 1974 ATMQHICH TIME HE ARRANGED TO SELL SIX 85 TON OFF-HIGHWAY HAULERS WORTH \$1-1/2 MILLION TO MIFERMA, MAURPQANP'S IRON MINIG OPERATION.
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(THIS PARTICULAR MODEL OF HAULER IS BUILT AT EUCLID'S PLANT OUTSIDE

TORONTO, CANADA). LE GUENNEC HAD NO SOONER RETURNED TO PARIS THAN HE

READ OF MIFERMA'S NATIONALIZATION AND NEW OWNERSHIP BY SNIM, MAURITANIA'S INDUSTRIAL HOLDING COMPANY. LE GUENNEC WAS ASSURED BY SNIM, HOWEVER, THAT ORDER STOOD AND NEW OWNERSHIP WAS MOST ANXIOUS TO RECEIVE SIX HAULERS. CONSEQUENTLY, EUCLID PROCEEDED TO LOCATE FINANCING.

2. WHEN HAULERS WERE TO HAVE BEEN SOLD TO MIFERMA, WHICH HAD EXCELLENT CREDIT RATING, EXPORT DEVELOPMENT OF CANADA (EDC) HAD TENTATIVELY AGREED TO OFFER 5-YEAR FINANCING OF PURCHASE. AS SOON AS MIFERMA WAS NATIONALIZED, EDC BEGAN DEMANDING 100 PER CENT LETTER OF CREDIT WITH NON-MAURITANIAN BANK. ACCORDING TO LE GUENNEC, EDC "DOES NOT TRUST MAURITANIA'S CURRENCY THE OUGUIYA OR HER CREDIT". EDC FORMALLY DENIED EUCLID'S REQUEST FOR FINANCING ON APRIL 2. EUCLID ASKED FOR EDC RECONSIDERATION ON MAY 29 AND WAS TURNED DOWN AGAIN ON MAY 30. ATTEMPTS TO FIND FINANCING THROUGH PRIVATE CANADIAN AND US BANKS MET WITH NO SUCCESS. THERE WAS EVEN AN ATTEMPT BY EUCLID TO OBTAIN INSURANCE THROUGH THE FOREIGN CREDIT INSURANCE ASSOCIATION (FCIA) FOR FINANCING WITH US BANK. FCIA REPORTEDLY WAS NOT INTERESTED.

3. LE GUENNEC EXPLAINED THAT BANKS LOCATED IN NOUAKCHOTT, IF REQUESTED BY GOVERNMENT, WOULD PROBABLY OPEN \$1-1/2 MILLION LOCAL LETTER OF CREDIT. US AND CANADIAN BANKS, HOWEVER, FIND THIS UNACCEPTABLE. ONLY POSSIBILITY OF LOCAL FINANCING SEEMS TO BE LETTER OF CREDIT INVOLVING SOCIETE MAURITANIENNE DE BANQUE (SMB) AND ITS ITALIAN SHAREHOLDER, BANCO DI LAVARO. TWO AMERICAN BANKS, INCLUDING BANKERS TRUST, ARE REPORTEDLY WILLING TO ACCEPT LETTER OF CREDIT WITH BANCO DI LAVARO. LE GUENNEC IS NOT HOLDING OUT MUCH HOPE, HOWEVER, FOR THIS ARRANGEMENT.

4. EUCLID IS QUICKLY REACHING POINT WHERE IT MUST FISH OR CUT BAIT. HAULERS ARE TO BE DELIVERED TO SNIM IN DECEMBER. IF DEAL GOES THROUGH, CONSTRUCTION OF HAULERS WOULD BEGIN IN JULY. IF LETTER OF CREDIT IS NOT OBTAINED BY JULY 1, EUCLID WILL NOT GUARANTEE DECEMBER DELIVERY. LE GUENNEC SAID DEMAND FOR HAULERS EXCEEDS CURRENT SUPPLY. CONSEQUENTLY, EUCLID WILL GO AHEAD AND BUILD VEHICLES AND SELL THEM ELSEWHERE. PROBLEM IS NOT LOSS OF SALE, BUT RATHER STAYING IN GOOD GRACES OF MAJOR POTENTIAL BUYER OF LIMITED OFFICIAL USE

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HAULERS.

5. LE GUENNEC, AFTER PROVIDING ABOVE BACKGROUND, SAID HE WISHED TO APPRISE EMBASSY OF THIS SITUATION S HE THOUGHT THERE MIGHT BE REPERCUSSIONS INVOLVING BOTH CANADA AND US. THROUGHOUT HIS DISCUSSIONS IN MAURITANIA, LE GUENNEC DEALT WITH ISMAEL OULD AMAR, DIRECTOR GENERAL OF SNIM. AT CONCLUSION OF TALKS, WHEN IMPASSE BECAME APPARENT, OULD AMAR BECAME VERY ANGRY. HE SAID

MAURITANIA MIGHT HAVE TO "BLACKLIST" CANADIAN PRODUCTS AND HE CRITICIZED US AND CANADA FOR NOT TRUSTING MAURITANIA. OULD AMAR SAID HE WOULD RAISE QUESTION IMMEDIATELY WITH MINISTER OF FINANCE AND PRESIDENT OULD DADDAH, MAKING NO EFFORT TO HIDE HIS DIS-SATISFACTION WITH CANADIAN AND AMERICAN BANKS. UPON LEAVING MAURITANIA, LE GUENNEC WAS PESSIMISTIC THAT ANY FINANCING COULD BE ARRANGED BEFORE JULY 1.

6. COMMENT: WE WISH TO EMPHASIZE THAT SNIM, WHICH NOW CONTROLS, AMONG OTHER ENTERPRISES, IRON AND COPPER MINING OPERATIONS, IS MAJOR POTENTIAL BUYER OF AMERICAN PRODUCT. YJM ALTHOUGH IT IS PRIMARILY

CANADIANS WHO FACE BRUNT OF MAURITANIAN IRE OVER INABILITY OF EUCLID TO ARRANGE FINANCING OF HAULER SALE, US BANKS AND, BY ASSOCIATION, USG HAVE ALSO COME UNDER CRITICISM. IN ORDER TO RETAIN SALE OF HAULERS BY AMERICAN COMPANY, WE RECOMMEND THAT DEPARTMENT OF COMMERCE INVESTIGATE POSSIBILITY OF HAULERS BEING BUILT IN US, PERHAPS AT EUCLID'S FACTORY IN EUCLID, OHRM. SHOULD THIS BE FEASIBLE, EUCLID COULD THEN LOOK INTO POSSIBILITY OF EXPORT-IMPORT BANK FINANCING. IF EUCLID IS UNABLE TO BUILD HAULERS IN US AND/OR FIND FINANCING, SUGGEST COMMERCE THEN BRING THIS TRADE OPPORTUNITY TO ATTENTION OF OTHER US BUILDERS OF OFF-HIGHWAY HAULERS. EMBASSY STANDS READY TO PASS INFORMATION DIRECTLY TO OULD AMAR AND ASSIST AS APPROPRIATE IN HOPE THAT SALE CAN BE PRESERVED FOR AMERICAN COMPANY. HANDYSIDE

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